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## **INTRODUCTION**

Spectrum Human Services, Inc. entered into contracts # DEL 98-82001, DEL 00-63001, and PAS 98-82001 with the Family Independence Agency (FIA). Under contract DEL-98-82001 Spectrum Human Services was to provide Day Treatment, Family Services, and monitoring for success in reintegration for the period October 1, 1999 through September 30, 2000. Contract #DEL 00-63001 required Spectrum to provide Juvenile Justice Reintegration Services for the period January 1 through September 30, 2000. Contract # PAS 98-82001 required Spectrum to provide adoption incentive services to children and/or their adoptive parent in cases where there was an Adoption Support Subsidy for the period October 1, 1999 through September 30, 2000. The total amount of contract #DEL 98-82001 was \$492,762, contract #DEL 00-63001 was \$248,141, and contract #PAS 98-82001 was \$62,760.31. FIA reimbursed Spectrum Human Services for the actual costs they incurred in providing these services, based on monthly billings prepared by Spectrum Human Services, Inc. and submitted to FIA. FIA reimbursed Spectrum Human Services a total of \$396,449.14 for contract #DEL 98-92001 for FY 2000; \$225,889.89 for contract #DEL 00-63001 for FY 2000; and \$51,097.65 for contract #PAS 98-82001 for FY 2000.

## **SCOPE**

The Office of Internal Audit performed an audit of Spectrum Human Services, Inc. to determine if Spectrum complied with the terms of its contracts with FIA, and if costs charged were accurate and allowable per the terms of the contract, and supported by appropriate documentation. Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

## **EXECUTIVE SUMMARY**

Based on our audit, we concluded that Spectrum Human Services complied with the terms of its contracts with FIA, and that costs billed to FIA were generally accurate and allowable per the terms of the contract. We determined that Spectrum Human Services overbilled FIA for some of the expenses associated with the FIA programs. Our report recommends that the Field Operations Administration initiate the process to recoup \$9070 for contract #DEL 98-82001 (or \$724 if the retroactive budget revisions are approved); \$757 for contract #DEL 00-63001; and \$102 for contract #PAS 98-82001. Details regarding these adjustments are included in the Findings and Recommendations below.

## **AGENCY RESPONSE**

The Management of Spectrum Human Services is in general agreement with the findings in the report.

## **FINDINGS AND RECOMMENDATIONS**

### **Contract #DEL 98-82001**

#### **Salaries**

1. Spectrum Human Services, Inc. overbilled FIA \$7,664 because they billed for salaries of employees who worked on the DEL program, but whose positions were not included in the contract budget.

WE RECOMMEND that the Field Operations Administration (FOA) either initiate the process to recoup \$7,664 from Spectrum Human Services, or require Spectrum Human Services to submit a retroactive revised budget for FOA approval.

### Fringe Benefits

2. Spectrum Human Services, Inc. overbilled FIA \$682.00 for FICA, Medicare, and Unemployment taxes related to the salary in finding #1.

WE RECOMMEND that FOA either initiate the process to recoup \$682 from Spectrum Human Services, or require Spectrum Human Services to submit a retroactive revised budget for FOA approval.

### Occupancy

3. Spectrum Human Services, Inc. overbilled FIA \$539.00 for an electric bill that should have been charged to a different program.

WE RECOMMEND that FOA initiate the process to recoup \$539 from Spectrum Human Services.

### Miscellaneous – Liability Insurance

4. Spectrum Human Services, Inc. overbilled FIA \$185 for liability insurance because the amount billed was an estimate. The actual cost incurred was lower than the estimate.

WE RECOMMEND that FOA initiate the process to recoup \$185 from Spectrum Human Services.

**Contract #DEL 00-63001**

**Fringe Benefits – Health Insurance**

5. Spectrum Human Services, Inc. overbilled FIA \$312.00 because the health insurance was billed based on an estimate. The actual cost of the health insurance premiums was less than the estimate.

WE RECOMMEND that FOA initiate the process to recoup \$312.00 from Spectrum Human Services.

**Supplies**

6. Spectrum Human Services, Inc. overbilled FIA \$445.00 for food supplies. This amount was erroneously billed to FIA twice.

WE RECOMMEND that FOA initiate the process to recoup \$445.00 from Spectrum Human Services.

**Contract #PAS 98-82001**

**Salaries**

7. Spectrum Human Services, Inc. overbilled FIA \$102.00 for salaries because the amount billed for accrued salaries for one employee was greater than the amount of accrued salary reflected in the General Ledger for that employee.

WE RECOMMEND that FOA initiate the process to recoup \$102.00 from Spectrum Human Services.